Russian Market of Inland Water Transport

Ladies and Gentlemen!

Today, the navigable waterways of the Russian Federation extend along some 101.8 thousand km. Although Russian inland waterways are the longest in the world, they are not used on a full scale and not evenly by different basins. Navigation is most intensive on the so-called Unified Deep Water System of Russia (UDWS) in the European part of Russia. UDWS makes part of the European Agreement on Main Inland Waterways of International Importance (AGN) and, at the same time, are the routes of the international transport corridor North – South.

The main water arteries of this system are the Rivers Volga, Kama, Don and Neva as well as the Volga-Don, Volga-Baltic and Moscow Canals. The system extends to some 6.5 thousand km with a guaranteed water depth of 360 cm. The parameters of UDWS are suitable for vessels of up to 5 thousand tons carrying capacity. All inland waterways have a well-developed infrastructure for traffic organization and management.

Ports represent an important part of the inland waterway infrastructure. Altogether, 126 ports operate on Russian inland waterways. Most of the river ports are equipped with railway access, thus making it possible to transship goods from water to railways and road transport. The volume of cargo turnover in river ports amounts to over 200 million tons per year; whereas the existing cargo handling capacity of most of the ports is only used for 40-50 per cent.

The State control over inland water transport has a three-layer structure. The Ministry of Transport develops the State policy and lays down the legislative basis in this field, whereas the Federal Agency of Merchant Marine and Inland Shipping, together with its local branches, provide for navigational conditions, govern State property and render State services in river transport. The Federal Service for Supervision in the Field of Transport performs overall control and supervision.

At present, over 1500 enterprises and private entrepreneurs having licenses for this type of activity carry out transportation of goods and passengers on inland waterways; the non-governmental sector has a dominant position in this field carrying over 90 per cent of goods and passengers. In the early nineties of the last century, the State practically ceased to render services in the field of transport and since then has been performing only regulatory functions and keeping inland waterways in an appropriate condition.

The maximal volume of goods movement by inland waterway was achieved in 1988 (over 580 million tons). Later on, it decreased significantly and bottomed out at 100 million tons in the middle of nineties. Starting from 1999 on, the situation has improved and in 2004 already 136
million tons of goods and some 30 million of passengers were carried by inland waterway. Nowadays, less than 4 per cent of the total volume of transportation by all modes of transport in the Russian Federation are carried out by inland waterway. So, the share of transportation by this mode of transport in Russia is similar to that in Europe in total, being at the same time considerably less than that in such countries as Belgium and the Netherlands. Forecasts, based on the analysis of industrial activities of shipping companies and on the growth of economic output of the Russian Federation, allow envisaging a further increase in the volume of transportation by inland waterway of up to 230 million tons by 2010.

The fleet of Russian inland navigation vessels is numerous and consists of various types of ships. On 1 January 2005, the Russian River Register counted over 29 thousand vessels of various tonnage and capacity. They include some 15 thousand of self-propelled and non-self-propelled cargo vessels of a total carrying capacity amounting to about 12.7 million tons including 2.5 million tons of oil tankers. The total capacity of tugboats is 1.9 million kW. Although the total number of vessels has been reduced by 20 per cent over the last 15 years, many vessels are idling due to the insufficient cargo base. This problem is particularly hard on eastern basins. The average age of vessels has exceeded 25 years and urgent steps by the Government are needed to promote the renewal of the fleet.

Mixed river-sea vessels hold a prominent place in the inland water transport of Russia. During the period of industrial depression when the volume of goods presented for transportation went down dramatically bringing shipping companies to a financial crisis, a majority of large shipping entities managed to stay afloat thanks to direct transportation of goods without transhipment between Russian river ports and sea ports of Europe performed by river-sea vessels. Under the conditions of ever growing international trade, the number of vessels of that type has nearly tripled over a short period and amounts today to 1100 vessels. In 2004, over 30 million tons of cargo were carried by river-sea vessels. Over 90 per cent of international trade was carried out by large shipping companies, such as “Volgotanker Co.”, “North-West Shipping Co.”, “Volga Shipping Co.” and “White Sea - Onega Shipping Co.” which own the largest number of such vessels.

The use of river-sea vessels for international trade is attractive for shipping companies since, in addition to their profitability, the vessels can operate all-year-round. During the winter season, when Russian inland waterways are frozen for 3 – 8 months a year and river-going vessels idle at their moorings, river-sea vessels continue their navigation at sea areas. River-sea vessels are considered, therefore, the most prospective type of vessels at the present time. Due to this reason, notwithstanding the stagnation in new vessels’ construction, almost all large shipping companies envisage the construction of river-sea vessels. Currently, a number of such vessels of carrying capacity up to 6.5 thousand tons are built at Russian shipyards.

There are, however, a few restraints for further development of river-sea shipping in Russia. These are the bottlenecks on inland waterways that developed during recent years. But the main difficulties relate to international shipping. In the early nineties of the last century, the river-sea vessels started to encounter problems when calling the some European seaports due to the lack of international regulations concerning that type of vessels. Maritime administrations had some doubts regarding their safety standards. Russian authorities had to negotiate with those administrations in each particular case and present relevant calculations by recognized organizations. It has been proved that, subject to the limitations imposed on those vessels, such as the area and season of navigation, wave heights and distance from the coastline, they are just as safe as sea-going ships. Finally, the agreements had been concluded with all maritime administrations concerned regarding the unobstructed calling at their sea ports of Russian river-sea vessels. This work could have been avoided if there had been relevant international
regulations concerning this type of vessels. In our view, the work on elaboration of international regulations on river-sea vessels could be undertaken within the UNECE which already envisaged the consideration of the question. Moreover, the formulation by the international maritime community of reasonable exemptions from the conventional requirements for river-sea vessels, together with the reduction of port dues (taking into account short voyages and frequent calls at ports), could give a new impetus to the development of that sort of shipping not only in Russia but also in other European countries.

When considering the economic and social importance of inland water transport within the whole of the Russian economy, one has to recognize the conformity of the sector to practically all the requirements of modern transport. These are transport and ecological safety and reliability. At the same time, the water transport is not good enough as far as the flexibility and the speed of goods delivery are concerned. Unfortunately, at present the latter aspects seem to be the most important for shippers’ choice of the mode of transportation. Due to this reason and taking also into account that the future belongs to modes of transport which are economical and environmentally friendly, the 2001 Pan-European Conference of Ministers of Transport, held in Rotterdam adopted recommendations called to support and promote the development of inland water transport in Europe and to unify the rules governing this sector.

Some provisions of the Declaration adopted by the Conference are being implemented in the Russian Federation; others have not been realized yet. The reasons for this are the particularities of the development of the water transport over the last years and its place in the State economy. Although Russia has the longest waterway network in the world, only a small part of goods is carried by inland waterway, the major part of them being carried by inland waterways of the European part of the Russian Federation. This situation cannot be considered as acceptable, of course. Having advantages vis-à-vis other transport modes, such as low transportation costs, existence of natural waterways and environmental friendliness, inland water transport, nevertheless, is not competitive enough against the road and railway transport.

As a result of the developments in the State economy during the last 15 years, the composition and directions of cargo flows saw a dramatic change. Two main cargo flows have been established, oriented to the river estuary ports located in St. Petersburg and Rostov-on-Don. The volume of goods carried in these directions are 17.5 and 19 million tons per year, respectively. The concentration of cargo flows in the above directions resulted in exhausting the traffic capacity of the Volga-Baltic and the Volga-Don waterways. The time required for passing these waterways has nearly doubled due to the excessive number of vessels and subsequent waiting time. A further increase in cargo transportation on these waterways is impossible without their major reconstruction and requires substantial investments. Another bottleneck on the waterways of the European part of Russia is the Gorodetsky Lock on the River Volga. Large-capacity vessels have to wait for 2-3 days to pass the lock due to low depths. If the current rate of lowering the water level persists, theoretically the UDWS can in the future be divided into two parts, the southern and the northern ones. To prevent that sort of development, the Government of the Russian Federation is considering the construction of a new low-height step.

Solving the above-mentioned bottleneck problems on Russian inland waterways is one of the tasks to prepare the opening, on a mutual basis, of inland waterways for transit by foreign vessels. As it is known, within the development of the so-called North–South Transport Corridor, the Government of the Russian Federation agreed that the Rostov-on-Don – Astrakhan waterway section should be ready for opening for international shipping by 2007 and the St. Petersburg – Volgograd waterway section – by 2010. By that time, we shall have to solve the following problems, besides increasing the traffic capacity in the bottlenecks: to establish a new vessel traffic management service, reorganize the pilot service and adapt the infrastructure for
vessel servicing. Furthermore, there are certain divergences in the legislation governing the inland waterway transport in the Russian Federation and in the countries of the European Union. It should be noted that thanks to the joint work in the framework of UNECE, a significant approximation of national technical requirements for vessels, rules of the road and signalling on inland waterways has been achieved. The remaining divergences do not seem to be insurmountable and only time and mutual will are needed to overcome them. Some of these divergences could be annulled through the harmonization of our national requirements, but certain legal provisions of the Russian law will have to be adapted to by countries whose vessels seek to enter Russian inland waterways. It concerns, for example, the minimum age for boatmasters; Russia will not be able to recognize boatmasters’ licenses issued to persons under 18 years of age. Our stringent position in this matter is justified by the need to ensure safe navigation on waterways equipped with complex hydraulic works.

However, already nowadays one may speak of the actual partial openness of Russian waterways for international traffic. Thus, the main river estuary ports, such as Astrakhan, Azov, Rostov and St. Petersburg are open for calls by vessels flying foreign flags. The most active European ship-owners not only transit Russian inland waterways but also carry out freight operations between Russian ports, after having registered their companies in the Russian Federation and obtained the right to fly the Russian flag. The highest activity in this field is showing by Turkish entrepreneurs; the number of vessels belonging to them is counted by tens and is increasing from one year to another.

Many changes have taken place both in the economy and in inland water transport in Europe since the Rotterdam Conference. But, just as four years ago, one criterion continues to be of utmost importance: no considerable growth and development of inland water transport is possible without regulatory measures to be taken by Governments and by the international community. Given the lowest specific impact of inland navigation on the environment and its capacity to contribute to the reduction of congestion in road and railway transport, in our view, measures should be considered for more favorable taxation with regard to inland water transport. To the same purpose, there is a need for a Pan-European approach to: (i) supporting the purchase and modernization of cargo and passenger carrying vessels, (ii) assisting Governments in ensuring effective cooperation of inland navigation with other modes of transport and (iii) making the sector attractive to the investors. The steps taken towards the public-private partnership (PPP) in the development of infrastructure should be supported by a greater involvement of Governments. This particularly concerns the elimination of bottlenecks on inland waterways. We believe that, by encouraging shippers and transport operators and ensuring a greater engagement of Governments, we will strengthen the inland water transport and enhance the sustainability of the whole transport system of Europe.

In conclusion, a need should be emphasized for further coordination of efforts and joint elaboration of mechanisms for solving the problems of inland navigation by all European countries within UNECE, the most essential issues being put on the agenda of the Ministerial Conferences which should be held regularly. Given the geography of the previous Pan-European Conferences on Inland Waterway Transport (Budapest - 1991, Rotterdam - 2001, Bucharest - 2006), the next Conference of Ministers of Transport might be organized in one of the CIS countries.